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Michael E. Doron

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Michael E. Doron
CALIFORNIA STATE UNIVERSITY - NORTHRIDGE

"I Ask the Profession to Stand Still": The Evolution of American Public Accountancy, 1927-1962

Abstract: This paper traces the emergence of the AICPA as an effective national representative of the American profession. Central to this evolution was a broadening of the Institute's outlook to encompass all practicing CPAs and to embrace the benefits of public relations and lobbying. The paper begins with the Wall Street elite that dominated the Institute's predecessor, the AIA, and describes the pressures for reform that culminated in the Securities Acts of 1933 and 1934 and set this evolution in motion. The final section makes use of former AICPA president Marquis Eaton's papers to show how pressure from the Securities and Exchange Commission, from competing professions, and from a geometric increase in the profession's numbers brought a more pragmatic and aggresive leadership to the Institute, one that more closely resembles the modern AICPA.

INTRODUCTION

Studies of the U.S. accounting profession's development often end with the 1930s, viewing the New Deal, the unification of the profession in 1936, and the McKesson & Robbins (M&R) scandal of 1939 as the seminal events in the profession's history [Miranti, 1990; Sriram and Vollmers, 1997]. Few emphasize the importance of the next two decades and the realignment of the profession's leadership and goals took place. This paper focuses on the crucial years of 1927-1962, when accountants evolved from an insular, divided group with an uncertain mandate from American society for its services to a profession eager to promote itself and to expand its reach and responsibilities. From

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the beginning of the push to reform U.S. capital markets with William Z. Ripley's 1927 polemic *Main Street and Wall Street* to the M&R audit scandal, the leadership of the profession remained aloof from the opinions of those outside the profession. But in the wake of the Securities Acts of 1933 and 1934 and M&R, a new generation of leaders began to take a more expansive view of the profession's proper role. Faced with pressure from the Securities and Exchange Commission (SEC), from competing professions, and from a geometric increase in the profession's numbers, a more pragmatic group took the reins of accounting's national leadership, embodied in the AIA, and began to embrace the benefits of public relations and lobbying. They were motivated not only by their own vision of a greater public profile as an essential part of a true profession but by the inroads competing professions were making into CPAs' hard-won jurisdictions in financial-statement audits, taxes, and the burgeoning field of management-advisory services. This led them to a more aggressive and self-interested stance for the profession, eagerly seeking out new venues and new revenue for CPAs' skills. Beginning with the union corruption scandals of the 1950s and the promotion of the CPA's abilities as "business advisors" in 1962 testimony before Congress by incoming AICPA president Robert Witschey, the AICPA's increasingly aggressive lobbying efforts on behalf of its members showed how far the profession's evolution had taken it.

This paper retraces the profession's path through the seismic shocks of the Great Depression, the New Deal, and M&R and evaluates the role these events played in shifting the profession's leadership away from the aristocratic traditions of the Wall Street-centered elite and towards a more pragmatic generation more in sync with the unique public-private regulatory model the New Dealers envisioned for the profession. Particular attention is paid to the efforts of John Carey, a non-accountant who, as executive director of the AIA and the AICPA, became the profession's cheerleader everywhere from his editorial column in the *Journal of Accountancy* to the halls of Congress and state legislatures; to Marquis Eaton, who laid the groundwork for the profession's new public-relations efforts and presided over the name change that finally, after 20 years of resistance from the profession's old guard, made the AICPA the official representative of CPAs; and to Carman Blough who, as the first chief accountant of the SEC and later as director of research for the AICPA, probably did more to improve the quality of financial reporting in the U.S. than any other individual in accounting's

history.

The best known and most colorful of the older generation, George O. May of Price Waterhouse & Co., also figures prominently in this paper. May's career is in many ways the best vehicle from which to describe the evolution of the American profession. He personified the old-world model of the gentleman professional, confident that his professional expertise made his integrity clear to outsiders and largely obviated the need for formal regulation. This model proved incompatible with Progressive notions of legal standards of conduct for market actors, and May's influence steadily waned after the 1930s. Accounting's next generation of leaders better understood the demands that a nation with an historic aversion to government oversight placed on professions. This generation (slowly) implemented more uniform accounting and auditing principles and procedures and accepted responsibility for the quality of work of all CPAs. But in navigating the course laid out for them, the AICPA found itself defending more and more professional territory, expanding into new fields, and fighting off challenges from competing professions that threatened its members' practices. Soon this dialectic had made the CPA a businessman more than a disinterested professional, and May was one of the few voices lamenting that the ideal his generation had strived for had been left behind. The portrayal of May is meant to help illustrate the tension at the heart of this story, that while much of the paper would certainly qualify as a Whig interpretation of history, this evolution is what ultimately led to the profession becoming more self-interested. The professionalization of accounting, in short, is what caused the damage to the profession's credibility.

This paper is in the style of traditional narrative history, employing archival sources to offer a portrait of the U.S. profession in the mid-20th century. The first half of the paper describes the profession under the leadership of the national accounting firms, referred to throughout as the Wall Street elite because of its clientele's listing on the New York Stock Exchange (NYSE). The papers of James M. Landis and George O. May, combined with practitioner journals, mainstream media sources, and an abundant secondary literature on the New Deal (perhaps the only era of the U.S. profession to have received thorough, critical evaluation by multiple historians) are the bases for these sections. The heart of the paper are the years beginning in 1939, years that previous historians have largely framed around the development of accounting principles [see Zeff, 1971, 2003; Chatov, 1975; Previts and Merino, 1998]. But this was only one

aspect, and as will be argued, not the most important in the profession's evolution over the two decades following the M&R scandal. The papers of former AICPA president Eaton have been available at the University of Florida since the 1970s, but as far as the author can determine have never been used. These memos and letters provide a wealth of information on how and why the AICPA became just another "trade organization" that aided accounting firms in "serving their own business interests" at the expense of the investing public [Turner, 2006, p. 392].

The story in this paper fits neatly into the existing paradigms of the professionalization literature. Accounting historians have made use of Abbott's jurisdiction model (see below) and Macdonald and Ritzer's dilemma of exclusiveness vs. market control[1] to describe the growth of public accountancy in several nations [e.g., Carnegie *et al*. 2003; Walker, 2004; Edwards *et al*. 2005]. The U.S. offers its own iteration. In the 1920s, the profession was divided into two national factions along lines of practice (national firms auditing big business with local practices providing basic accounting services) and background (northeasterners strongly influenced by British practice vs. southerners and midwesterners often of non-Anglo-Saxon descent). This schism left the profession without an authoritative voice and the two groups merged in 1936 expressly to lay claim to representing the entire profession. In the postwar era, an expanding economy created opportunities for other professions to challenge CPAs' jurisdictions in audit, tax, and management consulting. But by this time, a united profession, led by an aggressive leadership, could successfully defend the CPAs' territory.

THE AIA ELITE AND THE SECURITIES ACTS

Writing of the American legal profession in the early 20th century, Galambos [1983, p. 488] describes "a profession virtually controlled by a WASP elite, which used its power and status to ward off threats from liberal reformers and the country's new immigrants." A similar picture emerges in the accounting profession of the 1920s. Accounting's dominant voices were national firms such as Price, Waterhouse & Co., headquartered in New York and conducting financial-statement audits for the largest American corporations. Until the M&R scandal, this Wall

[1] Macdonald and Ritzer [1988, pp. 257-258] write "…to control the market, the occupational body must include anyone with a reasonable claim to expertise, but such inclusion brings in marginal practitioners who lower the standing of higher-status practitioners."

Street elite served as the profession's national voice.

These men formed the leadership of the AIA, which like the AICPA was a voluntary organization (In the U.S., licensing of CPAs is reserved to the individual states.). Until 1921, the AIA served as the only national organization of public accountants. Many of its leaders were British chartered accountants sent to the U.S. to develop an American presence for their firms. In 1926, one-fifth of the AIA's membership consisted of accountants born outside the U.S. [see Nissley, 1928, p. 37]. They tended to favor an apprenticeship system similar to their own training, rather than the more egalitarian college education prevalent in the U.S. In many cases, they were also reluctant to associate with men of southern and eastern European heritages [Miranti, 1990, p. 123]. Most importantly, they did not respect the CPA certificate, which they dismissed as a state-regulated license that conferred legitimacy on an inferior class of accountants. In 1919, the AIA had attempted to secure legislation in Congress that would recognize its membership as superior to a CPA license. As late as 1926, the AIA refused to limit its future membership to CPAs [Springer, 1936a, p. 749]. This finally led to the creation of a rival national organization, the American Society of Certified Public Accountants (ASCPA), in 1921. This is the most conspicuous example of the AIA's failure to exercise leadership for the profession. At a time when it could have taken all CPAs under its wing and embraced responsibility for raising the professional standards of all public accountants in the U.S., the AIA instead chose to distance itself from the rest of the profession.

Many small town CPAs in the 1920s may also have found it difficult to relate to the AIA's official periodical, the *Journal of Accountancy*, particularly to the style of its editor, A.P. Richardson. Durand Springer, founder of the ASCPA, reportedly "could not stomach the leisurely ways of the elite who in those days dominated the Institute's activities…Heading that elite group was A.P. Richardson, a nonaccountant and an import who has often been referred to as the epitome of a perfect English gentleman"[2] [Kohler, 1975, p. 27]. After stepping down as editor in 1936 (to be replaced by John Carey), Richardson [1040. p. 217] returned to the *Journal* in 1939 with a regular column titled "This Blessed Language" of which the following passage is rep-

[2] "Perfect English gentleman" was apparently a style Richardson affected. Alphyon Perry Richardson was born and raised in New Jersey, never attended college, and worked as a reporter for the *Wall Street Journal* [O'Neill, 1980, p. 1].

resentative:

> Take…the quotation: 'Only the brave deserves the fair';…as the sentence stands it means of course that the brave man and no one else deserves the fair. If we say 'The only brave deserves the fair,' we may mean that an Indian warrior is deserving or that there is no more than one brave man.'The brave only deserves the fair' probably means that our hero deserves the fair but is not to have her. Now, moving our wandering adverb another step forward, we say 'The brave deserves only the fair' and we imply that the brave man deserves nothing except the fair. Again 'The brave deserves the only fair.' Here we find that the choice is limited. If there be other ladies present they do not qualify. And, finally, if we say 'The brave deserves the fair only,' I don't know exactly what it means.

The AIA's inadequacy as a leadership organization became particularly apparent in the crisis years that followed the stock market crash of 1929. Pressure had been building on the profession since the publication of economics professor William Z. Ripley's *Main Street and Wall Street* in 1927, which brought the issue of financial reporting to the attention of a broader public. His portrayal of auditors as too-closely tied to their corporate clients and lacking authoritative standards for financial reporting brought unwanted attention to the profession [Richardson, 1927a, p. 254; Kohler, 1933b, p. 142]. But the AIA leadership was reluctant to take action. It was George O. May, senior partner at Price, Waterhouse & Co., who saw the handwriting on the wall for reform and led the first effort to improve the quality of financial reporting. As early as 1926, May [1936, pp. 44, 46] warned: "There is not in the profession as it now exists a body of men capable of dealing adequately with the problem…at the present time auditors hold office usually at the pleasure of the officers of the company." Ripley's writings spurred May to take the initiative in reforming financial accounting practices [May Papers, 57-6; AICPA, 1960]. May would write: "It is becoming recognized that if the interests of all affected by corporate development – and that includes a large proportion of our people – are to be protected, it is vitally important that some basic principles of accounting should be established and given substantially the force of law" [May Papers 53-6, September 11, 1930]. May's efforts led to the NYSE requiring annual financial statement audits for all listed firms in 1932 and to the publication of *Audits of Corporate Accounts* (1934), at the time the most comprehensive effort to establish accounting principles.

By this time, in no small part due to the revelations of the Pecora hearings in Congress, May had lost the initiative and federal legislation became inevitable [Seligman, 1982, p. 2; Flesher and Flesher, 1986, p. 421]. Inexplicably, though, the profession was caught by surprise by the 1933 Securities Act, passed during President Roosevelt's "Hundred Days" with the goal of restoring confidence in U.S.capital markets. "Despite William Z. Ripley, despite Berle and Means, despite the Pecora investigation, despite public demand for reform of the securities markets, the Institute had made no effective preparation to deal with legislation directed to that end" [Carey, 1969, p. 182]. The obloquy even came from the accounting academe. Eric Kohler [1933a, p. 164], editor of *The Accounting Review*, railed against "the inherent snobbishness in many of the Institute's published reports – a snobbishness and lack of good taste that have their origin in a real ignorance of the things at stake in the accounting profession. There is no indication of any understanding of the problems that lie ahead; no appreciation of the newer opportunities for the profession in the bloodless social revolution in which we have been immersed during the past year." After the passage of the 1933 act, the profession quickly realized its importance, and both the AIA and ASCPA sent representatives to Washington to help write the detailed regulations to implement the law [Landis papers, Folder 2-3; Chatov, 1975, p. 56; Zeff, 2008, p. 177].

Without a unified voice, accountants had been unable to exercise any real influence on the 1933 act. Colonel Arthur Carter of the New York State Society (NYSSCPA), apparently on his own initiative, did testify at the congressional hearings leading up the 1933 act, though it is interesting to note that he reportedly did so as a gesture of U.S. accountants' independence from the British-dominated AIA [Carey, 1979, p. 34]. The impact of Carter's testimony is unclear; contemporary newspaper coverage suggests it was quickly forgotten [*New York Times* (*NYT*), April 2, 1933, p. 1; *Wall Street Journal*, April 3, 1933, p. 8; see also Wiesen, 1978]. One reason may have been Carter's imperious tone:

> Sen. Barkley: You audit the controllers?
>
> Col. Carter: Yes, the public accountant audits the controller's account.
>
> Sen. Barkley: Who audits you?
>
> Col. Carter: Our conscience.

The pompous spirit of much of the AIA alienated not only the vast majority of U.S. CPAs (most of whom did not belong to either the AIA or the ASCPA) but also the New Dealers who wrote the Securities Acts. James Landis, the chief author of the Securities Acts and later chairman of the SEC, summed up the profession this way in 1936: "The impact of almost daily tilts with accountants, some of them called leaders in their profession, often leaves little doubt that their loyalties to management are stronger than their sense of responsibility to the investor" [Carey, 1979, p. 36]. Landis particularly had in mind May, who had worked closely with Landis in the months after the 1933 act and who had garnered a reputation as the profession's "philosopher" [Carey, 1970, p. 3]. Born in England in 1873, May was extremely well educated despite never having attended college, instead rising up through an apprecticeship to join Price, Waterhouse & Co. in London [Grady, 1962, pp. 9-13; Parker, 2010, p. 5]. In 1896, he was sent by the British firm to conduct audits in the U.S. and was one of the founders of the U.S. profession. Landis [1959, p. 35, fn. 12] felt such antipathy towards May that a quarter century after the Securities Acts, he found space in a 20-page law journal article to single him out for criticism: "Despite the fact now generally recognized that the registration requirements of the Securities Act have introduced into the accounting profession ethical and professional standards comparable to those of other recognized professions, the then dean of the accounting profession, George O. May of Price, Waterhouse & Co. was strangely opposed to our proposed requirements for independent accountants." And Landis was not the only one. William Paton [1981, pp. 91-94], professor of accounting at the University of Michigan and one of the leading accounting theorists of his generation, remembers May as "a very conceited Englishman, and hypersensitive to criticism, even when somewhat justified…his brusque way of disposing of questions he didn't like, and his rather domineering attitude toward all those daring to ask questions, annoyed both faculty and students…I understand that I was one of only three people who dared to call him 'George.'" More significantly, Landis' opinion of May seems to have extended to the entire profession. He wrote to Felix Frankfurter: "I was up the night before and talked to some accountants…a very strange class of people whom I suppose by the very nature of their profession are without any humor" [Parrish, 1970, p. 200]. The feeling was apparently mutual. Carey [1979, p. 35] would remember: "Mr. Landis was not so easy to deal with. Cordial and conciliatory at first, he became increas-

ingly critical of the accounting profession. He was a thin, tense, somewhat impatient man, almost humorless, and clearly feeling the pressure of his new responsibilities."

The 1934 Securities Exchange Act, passed by Congress and signed by Roosevelt on June 6, 1934, created the SEC and granted it power to regulate Wall Street, including the accountants who audited publicly traded companies. It might have been expected that without the trappings of a true profession (one organization representing all practicing accountants, clear independence from their corporate clients, an established lobbying presence in Washington), the SEC would not have trusted the profession to handle such an essential cog in U.S. capital markets as big business' financial communications to the public. But such was not the case. Despite the SEC's lack of confidence in accountants, the profession was largely left to govern itself, putting in place a regulatory regime that has since been the object of almost constant criticism from Congress, the media, and historians [U.S. Congress, 1976; Previts and Merino 1998, pp. 271, 318; Zeff, 2003, pp. 195-196]. As an historian of the Securities Acts concluded: "Nothing jarred the SEC's confidence in the accounting profession's ability to evolve more uniform terminology and techniques. Commissioners and staff members merely became impatient" [Parrish, 1970, p. 206]. By 1939, Landis had concluded: "As long as you have the May leadership in the accounting situation, I have very little hope of seeing them accomplish much" [quoted in Parrish, 1970, p. 206].

THE SECURITIES ACTS' IMPACT ON THE PROFESSION

The passage of the Securities Acts was the single most important event in the professionalization of accounting; they legitimized the profession by granting it an exclusive franchise to conduct financial-statement audits, providing auditors with the leverage to resist the demands of their corporate clients. They imposed clear accountability with liability standards for negligence. As dicussed below, they spurred the unification of the profession in 1936. And there was near universal agreement among contemporaries that they improved the quality of financial reporting by encouraging the development of more uniform accounting principles [*Certified Public Accountant,* 1933, p. 597; Smith, 1937, p. 152; Cooper and Ijiri, 1979, p. 36]. Finally, the acts enshrined a regulatory framework that, regardless of its effectiveness, has presided over the most successful capital market in the history of the world.

The experience of the Securities Acts did spur the consolidation of the AIA and ASCPA in 1936. Hostility between the two groups, based not only on differences in clientele and scale but on class and ethnicity, had at times reached puerile levels. From 1927 to 1932, the respective journals of the two organizations, the *Journal of Accountancy* and *The Certified Public Accountant*, rarely even mentioned the name of its rival. Robert Montgomery [1939a, p. 38], of the national firm Lybrand, Ross Bros. & Montgomery, noted: "The profession had been greatly handicapped in its contacts with governmental agencies in Washington, due to the inability of the representatives of the two societies to represent the interests of the profession as a whole." But even with this in mind, acrimony nearly destroyed the union. As Montgomery [1939b, p. 72] remembered it: "The retiring [AIA] president was bitterly opposed to the merger. For some obscure and wholly unfounded reason, he argued that the AIA would be diluted in quality and reduced in prestige by the proposed merger." Members of the ASCPA pointedly noted that it was not a "merger" at all. Even at this late date, the AIA refused the ASCPA's proposal that the two organizations combine into a new organization to be called "The American Institute of Certified Public Accountants." Instead, the ASCPA was "absorbed" into the AIA despite the fact that less than 3% of the AIA's members by 1936 were non-CPAs [Springer, 1936b]. It would take two more decades of fighting before the AIA explicitly became the national organization of CPAs, and then only in response to the encroachments of unlicensed public accountants.

Carman Blough's role in the profession's leadership began in these years. Having worked his way up through the ranks of state government in Wisconsin, Blough probably had more in common with the ASCPA than the AIA elite [Miranti, 1990, p. 153]. While working at the Wisconsin State Board of Public Affairs, he met George Mathews, a future SEC commissioner, and, in 1934, he joined the SEC as a financial analyst. By 1935, the SEC decided a need existed for a "final arbitrator in all accounting problems facing the Commission," and Blough was appointed the first chief accountant of the SEC [Cooper, 1982, pp. xviii, 8]. Carey remembered that "there could not have been a more fortunate appointment…tempermentally he was ideally suited for the new job…He was open minded, willing to listen" [Cooper, 1982, p. xiv].

But while a more affable presence than James Landis, Blough was a stern advocate for more formalized accounting principles. He told the NYSSCPA in 1937:

> Almost daily, principles that for years I had thought were definitely accepted among the members of the profession are violated in a registration statement prepared by some accountant in whom I have high confidence. Indeed, an examination of hundreds of statements filed with our Commission almost leads one to the conclusion that aside from the simple rules of double entry bookkeeping, there are very few principles of accounting upon which the accountants of this country are in agreement [Carey, 1970, p. 10].

Carey [1970. p. 11] remembered: “The cumulative effect of this speech was devastating.” Blough would later add: “Unless the profession took steps to reduce the areas of difference in accounting practices the Commission would” [quoted in Zeff, 1972, p. 132]. It was Blough’s hope that the profession would accept the challenge: “I have emphasized at numerous times that the policy of the Securities and Exchange Commission was to encourage the accountants to develop uniformity of procedure themselves, in which case we would follow” [AIA, 1937, p.190]. He certainly had his work cut out for him in persuading the Wall Street elite to embrace formalized rules at the expense of professional discretion. As a Lybrand, Ross Bros. partner protested, “There is the idea that standardized accounting is a simple matter, that the only reason it has not advanced further is to be found in the ignorance or dishonesty of accountants and the management of large industries” [Warren, 1934, p. 10]. The SEC received some support for its efforts from accounting academics when their organization, the American Accounting Association, issued “A Tentative Statement of Accounting Principles Affecting Corporate Reports” in 1936 [Carey, 1970, pp. 11-12]. Blough and others at the SEC sedulously pursued improved accounting principles until the M&R scandal undermined the old guard’s claim to leadership of the profession.

HOW M&R AND WORLD WAR II CHANGED THE PROFESSION

The reforms of the New Deal, although initially intended to bring fundamental change to accounting, had little impact on the profession over the course of the 1930s. The Wall Street elite remained firmly entrenched in the profession’s leadership, much to the consternation of accounting’s new overseers at the SEC. And however superannuated this elite may have become, it clung defiantly to the professional model that had seen it through the decade’s crises. In his valedictory address to the AIA

in 1937, outgoing President Montgomery encouraged his audience to continue whistling past the graveyard: "We have been told so often that we cannot remain still, we must go forward or backward, that we are inclined to believe it. Nevertheless, I ask the profession to stand still. I do not want it to change" [AIA, 1937, pp. 89-90].

The forces driving public accountancy to become the profession the New Dealers envisioned would work slowly over the next two decades. The unification of the profession into one national organization in 1936 was the first step towards broadening the leadership's outlook to embrace CPAs throughout the U.S. But it was the M&R scandal and the demands that World War II placed on accounting that undermined the old-guard leadership of the AIA and paved the way for U.S. public accountancy's next generation of leaders.

The M&R scandal was uncovered in December 1938. From 1923 to 1937, auditors from Price, Waterhouse & Co. had been accepting fraudulent inventory and accounts receivable records prepared by a convicted felon operating under an assumed name [*NYT*, December 24, 1938, p. 4, January 13, 1939, p. 38]. The revelation that systematic fraud had been perpetrated under the nose of the profession's premier firm made headlines in newspapers all over the country and led to major changes in audit procedures. It also proved a major blow to the elite generation's control of the profession, both to its prestige and to its numbers, as the practice of relying on temporary workers came under greater scrutiny and the ranks of full-time CPAs swelled. It occurred just as the AIA was beginning to take steps towards the establishment of accounting principles, short-circuiting the elite's efforts to placate the SEC [Previts and Robinson, 1996, p. 69]. In September 1938, the AIA's Committee on Accounting Procedure (CAP) had recommended that it be given additional responsibilities and personnel, "recognizing the existence of a widespread demand for greater uniformity" [Carey, 1970, p. 12]. The CAP's work continued after the scandal as it issued 51 Accounting Research Bulletins by 1959, to be succeeded by the Accounting Principles Board.

The lurid events of the fraud brought the profession unprecedented public scrutiny. Within a month of the revelation of the scandal, the attorney general of New York summoned leaders of the AIA to his office to discuss what reforms were needed, and his office issued a statement that "the Coster-Musica [M&R] case [has] revealed certain fundamental weaknesses in the preparation of financial statements of large corporations" (*NYT*,

December 24, 1938, p. 4]. The new chairman of the SEC, Jerome Frank, hoped the fallout from M&R would mark "a turning point in accounting standards" and called on accountants to take the lessons of the scandal to heart and begin to accept the responsibilities the New Dealers had laid out for them six years before: "Without in any way indicating what the applicable law and morals may have been in the past, I suggest that the McKesson & Robbins case...raises, for the future, certain questions with respect to corporations whose securities are listed or registered. While the controller serves not only the management but also the stockholders, should not the accountant serve the management and the stockholders and the bondholders and other creditors? And should not the accountant serve not merely the existing stockholders and bondholders, but all future investors" [*NYT*, January 9, 1939, p. 45]?

The profession showed a new sensitivity to public relations by responding quickly to the crisis. By May 1939, six months after the scandal broke, new procedures were put in place that required physical checking of inventory and confirmation of receivables. A new tone could be detected in response to the SEC's investigation into the scandal:

> Such an investigation might not be proper in the case of any other profession, but certified public accountants recognize a dual responsibility which is unique – a responsibility to the client and a responsibility to the public which may rely upon the accountant's report. It was no doubt in the belief that the investing public, as represented by the S.E.C., had a right to know all it wanted to know about generally accepted auditing procedure that the accounting profession cooperated fully in providing the desired information [Carey, 1941, p. 1].

The new audit procedures, as well as the SEC's issuance of Accounting Series Release (ASR) No. 4, requiring for the first time "substantial authoritative support" for an accounting principle, helped to end the rules vs. judgment debate that had marked the profession's generational fault lines: "The significance of McKesson, in combination with ASR 4...was to complete the transformation of an accounting professional's discretionary roles from individual-laissez-faire driven judgments regarding principles and procedures, to a judgmental process directed by peer professional standards, guided by a committee structure of the AIA" [Previts and Robinson, 1996, p. 76].

Besides making many in the profession more aware of the power of public opinion, M&R offered an opening to the smaller

firms that desired a greater say in the profession. At a meeting with members of New York Governor Lehman's staff, as the *NYT* [January 9, 1939, p. 11] reported:

> A number of [speakers] charged that about 90 per cent of all the brokerage and investment firms, as well as the greatest industrial firms listed on the Stock and Curb Exchanges, were audited by six or seven great firms of which Price, Waterhouse, and Co., auditors of the McKesson & Robbins Company, was one. With this was coupled a charge that the officials of these firms dominated the New York State Society of Certified Public Accountants and the American Institute of Accountants which resulted in a too lenient interpretation by the Association of principles which should be applied to all accountancy activity. Speakers declared that where small accounting firms, auditing smaller business houses, made it an almost invariable practice to check on statements of inventories and of accounts receivable before listing them in audit, the larger accounting firms, dealing with the books and records of the larger houses, in general accepted the statements of officers of the companies audited and put them into balance sheets without further checks.

The scandal offered those outside the profession's leadership the opportunity to voice long-simmering resentments of the big-firm elite. Clem Collins, who had served as president of the AIA from 1937-1939, observed: "Ever since the matter [M&R] came up, which is about three years ago, there have been numerous criticisms. When I was president, I received a great many letters insinuating that there was not full consideration being given, and that because this firm [Price, Waterhouse] was a large firm, perhaps they were not subjected to as severe examination and censure as might be accorded to a smaller firm" [Carey, 1970, p. 40].

Coming so quickly on the heels of M&R, U.S. entry into World War II saw a perhaps chastened profession respond with alacrity to the demands of a wartime economy. As the *NYT* [November 10, 1942, p. 41] told its readers: "Recognizing that accounting has become an indispensable element in war production and in control of the government's vast expenditures, the executive committee of the American Institute of Accountants yesterday announced adoption of a war activities program to remain in effect for the duration." As quickly as January 1942, practitioner journals were advising their readers of the new issues their clients would be facing, from contingencies in the

face of uncertain payment from government funds to questions as to whether "accounting reports may be of value to enemy forces," and whether subsidiaries of clients now in enemy hands could still be listed as assets on their balance sheets [Towns, 1942a, p. 270].

The war's effects on U.S. public accountancy would not be felt until the post-war era, but their importance should not be overlooked. The domestic labor shortages brought large numbers of new entrants into the profession. Most prominently, this included women, although in the 1950s, many firms returned to their pre-war hiring practices, and women lost many of the gains they had achieved in accounting [Wootton and Kemmerer, 2000, p. 175]. In addition, the war greatly expanded the need for tax services. Taxes before the war had affected a maximum of 6% of the population [Zelizer, 1998, p. 84]. Increased rates of personal income taxation as well as wartime excess profits taxes added to the complexity and scope of the tax code and gave birth to a swelling of the ranks of tax accountants that would continue in the post-war era as tax rates remained high [Towns, 1942a, p. 374; Perry, 1944, p. 139].

The war also saw tremendous advances in the field of management-advisory services. The unprecedented scale of war contracts led to innovations in business management and recordkeeping. "There is no doubt but that WPB and OPA have forced many businesses to develop more adequate records" ["War Has Changed Old Bookkeeping," 1944, p. 273]. To implement machine recordkeeping such as punch-card systems, the large accounting firms were often brought in as consultants [Higgens, 1965, p. 188]. As Perry [1944. p. 139] summarized it:

> Prior to the war, the average accounting practice was largely composed of audit work and preparation of tax returns, sweetened on occasion by nonrecurring system engagements or cases dealing with new financing.The scope of services rendered by accountants has been considerably extended in wartime, and it seems probable that the success of the profession in handling these varied assignments may result in a wider field of practice in the future.The problems of business management have been tremendously complicated by the network of wartime controls in the face of expanding volume, and shortage of managerial manpower has led many clients to turn to professional accountants for assistance.

The dilemma created for the profession by consulting ser-

vices will be subsequently discussed.

THE POST-WAR PROFESSION

The end of the war found the profession stronger than ever, with a younger, more modern generation at the helm. Accounting's impressive contributions to the war effort had enhanced the profession's image: "Many of [our] members occupied high places in the armed forces; others served with distinction in an advisory capacity. Washington came to know the accounting profession better than ever before, and today recognizes the value of services which professional accountants render to the government" [Carey, 1946, p. 1]. The lessons of M&R provided momentum to the two campaigns that marked the sharpest break from the 1920s generation. The drive for improved accounting principles, interrupted by the war, resumed in earnest [Zeff, 2001], and a new respect for the necessity of public relations became central to the profession's agenda. The combination of new leadership that embraced the demands post-war America placed on them, an expansion of the profession's numbers that reoriented the national leadership away from the big national firms, and the challenges accounting faced from competing professions led to a new AIA (soon to become the AICPA) that played a pivotal role in molding the profession that exists today.

The AIA's determination to take all CPAs under its wing, a process begun with the consolidation in 1936, meant new priorities to meet the needs of its membership: "The influx of veterans and post-World War II CPAs into the profession…[brought] a new and much larger generation, more diverse in practice" [Previts, 1985, p. 84]. Firms like Price, Waterhouse & Co. had traditionally limited their partnership ranks to a select few, but the increase in the scale and scope of accounting work in the 1950s forced it to welcome partners from southern and eastern European backgrounds as well as many younger CPAs more amenable to the changing times [Allen and McDermott, 1993, pp. 93, 115].

Perhaps the most important change resulting from the AIA's expanded membership was a reorientation to the priorities of small firms. The AIA's focus in the post-war era turned away from the increasingly independent national firms and towards the needs of small practitioners. While the national firms expanded to smaller markets and to the international stage, smaller firms were growing at an even faster rate: "From 1946 to 1966 the number of CPA's associated with the ten largest firms

had jumped from 2,950 to 11,850 – a 401% increase. However, the total number of CPA's had jumped from 20,778 to 94,284 during the same period – a 453% increase" [Carey, 1970, p. 356]. Small accounting firms increasingly faced challenges requiring an authoritative and representative voice as an ever-expanding set of accounting rules, as well as increased automation and cost-tracking techniques, placed more demands on CPAs.

Carman Blough remained on the front lines of this battle, becoming director of research for the AIA in 1944. He would continue to prod accountants to adopt more uniform procedures for audits and financial-statement preparation as he had done in the 1930s as chief accountant of the SEC [Carey, 1970, p. 156]. He did this with speeches and a regular column in the *Journal of Accountancy*, "Current Accounting and Auditing Problems," in which he clarified technical accounting issues and encouraged the use of best practices, geared particularly to the needs of small practitioners.

Carey had taken over as editor of the *Journal of Accountancy* in 1937, and he was named executive director of the AIA in 1948. The contrast with the old Wall Street elite, particularly his predecessor as editor of the *Journal,* A.P. Richardson, could not have been more pronounced. Richardson's flowery, verbose editorials, so incongruous in the pages of a technical practitioner's journal, gave way to a modest, business-like style. Carey [1954, p. 33] encouraged a sense of pride and challenged members to embrace the "social responsibilities of CPAs" and constantly congratulated them on their progress:

> Such rapid growth might have resulted in disorganization…on the contrary, professional organization has improved…A vast amount of work remains to be done before the CPA will be universally accepted as the equal of his colleagues in the older professions, [but] for the first time, it seems to us, it may be said that the rough framework at least [now exists]…to complete the structure of the accounting profession.

Carey regularly crisscrossed the U.S., testifying before state legislatures and speaking before state and local CPA societies. He wrote *Professional Ethics of Public Accounting*, hailed as a "masterpiece," to placate the SEC's demands that accountants formalize their rules on auditor independence ["'Tis Not the Whole of Auditing," 1947, p. 3], and more than anyone else, Carey [1949, pp. 3, 5] pressed the need for a greater public profile for the profession:

> When certified public accountants were a small, comparatively obscure group, regarded as technical experts who could help management and credit grantors in their work, nobody else bothered very much about the accounting profession. But now, when auditing, measurement of profit, cost determination, and tax problems are recognized as matters of vital importance, not only to management and credit grantors, but investors, labor unions, consumers, economists, analysts, statisticians, lawyers, government policy makers, and others, the accounting profession suddenly finds itself in a goldfish bowl…we can't escape the basic truth that public opinion will largely determine the accounting profession's opportunity for future progress…[in response] the Institute has developed a comprehensive public relations program.

For the most part, CPAs supported Carey's efforts. State societies supplemented his work with their own public-relations campaigns ["President's Report – 1947-8," *The Texas Accountant,* 1948, Vol. 21, No. 7, p. 9; "Public Relations Program for 1951-2," *The Texas Accountant,* 1951, Vol. 24, No. 10, p. 6]. Future AIA president Marquis Eaton recognized Carey's service to the profession in effusive terms:

> In my opinion it would be impossible for the Institute to do too much in acknowledgement of [Carey's] contribution to the profession…[He] is eligible for retirement in twelve years.That date is not so far off that we can postpose any longer our preparation for it…I have often heard the question, who are we going to get to take John Carey's place? We should get that question out of our thinking. We are not going to get anybody to take his place" [Eaton letter , May 5, 1950, group 9, box 3, F.14; Eaton speech, October 27, 1956, G12, B2, F28, University of Florida Papers].

The AIA's new focus did not win universal acclaim in the accounting community. May, now in his third decade of retirement, maintained a vigorous and often cantankerous correspondence with Institute officials. "I deeply regret the appointment of an expert in publicity as editor of the *Journal of Accountancy,*" May [May Papers, 58-10, 1956] wrote to Blough. "It seems to me to be an acceptance of the view that the function of that Journal is to promote the interests of accountants rather than to give accountants professional guidance." To John Inglis of Price, Waterhouse & Co., he continued: "I think it is high time

somebody protested against Carey's monopolistic rule in the Institute" [May papers, 58-10, 1956]. Nor was May reluctant to share his views face-to-face, as the normally unflappable Carey [Group 9, B.10, F.73, June 29, 1956, University of Florida Papers] related to Eaton: "I enclose excerpts from some notes Mr. May gave me when he took me to lunch to criticize my article in the May, 1956 *Journal*. I am omitting some of the notes of a personal nature."

THE AICPA TURNS TO LOBBYING

A desire to burnish the CPA's image in the public mind was not based solely on an idealistic vision of what a true profession should be. Blough, Carey, Eaton, and others were cornered into action by the encroachments of competing professions. As lawyers, management consultants, and unlicensed public accountants aggressively pursued new venues for their services, the AIA felt compelled to push back, reluctantly forced to expand the CPA's field of competence and to promote itself in the power corridors of Washington.

Andrew Abbott [1988, p. 2] described jurisdictions (interprofessional competition) as "a fundamental fact of professional life." It is through competition with other professions that a profession carves out its professional space. "Control of knowledge and its application means dominating outsiders who attack that control…the professions make up an interdependent system. In this system, each profession has its activities under various kinds of jurisdiction…boundaries are perpetually in dispute." U.S. public accountancy embraced the trappings of a modern profession – ppublic relations, lobbying, responsibility for all members of the profession – in response to the efforts of its competitors.

The most pressing jurisdictional challenge from the 1920s through the 1950s came from unlicensed public accountants (PA). In the post-war era, CPAs were generally college graduates who had passed a now nationally standardized and notoriously rigorous examination process [Merino, 2006, p. 369]. PAs competed only in local markets and so posed little threat to the Big Eight firms. But for small practitioner CPAs, unlicensed PAs were interlopers who threatened their status and thwarted goals of professional unity. The AIA's official policy was to encourage PAs to obtain the educational and statutory requirements of CPAs, something the PAs, not surprisingly, resisted as pointless, bureaucratic hoop-jumping [Tinsley, 1983, p. 29]. Although PAs

had their own state and nationwide organizations, anyone could call himself a public accountant. CPAs major concern was that unethical or untrained individuals holding themselves out as PAs would damage the reputation of the accounting profession. In the 1920s, state CPA societies pursued regulatory or "two-class" legislation which would license non-certified PAs then practicing and prohibit future registration, thus making PAs a "dying class." In another example of the AIA's aloofness from the needs of small practitioners in this era, the AIA officially opposed such legislation, hindering the state societies' efforts [Tinsley, 1962, pp. 34-35].

The national firms did have substantive reasons for their opposition. In several states, regulatory legislation allowed only accountants registered in the state to certify financial statements. This proved a serious inconvenience to the national firms attempting to serve clients with offices scattered around the country. Second, several state-court decisions had questioned the constiutionality of regulatory legislation, suggesting that it "deprived [PAs] of the fruits of [their] training" [G9, b4, f23, April 18, 1946, University of Florida Archives]. Finally, as has been noted, the AIA in the 1920s still had a significant number of British chartered accountants who were not CPAs, and so would be classified with the inferior class of PAs under regulatory legislation {Richardson, 1933c, p. 248]. Most likely, this issue explains why the Securities Acts allowed for audits of publicly traded companies to be conducted by CPAs or PAs.

In the post-war era, with the AIA's new focus on the concerns of small practitioners, the PA movement became one of its most pressing issues. In 1945, spurred partly by the influx of returning veterans and because the demand for accounting services far outpaced the number of CPAs, the National Society of Public Accountants {NSPA) was formed and commenced lobbying state legislatures and the Bureau of Internal Revenue (later the Internal Revenue Service) to recognize non-certified PAs as equal in status and qualifications to CPAs [Texas Society of CPAs, 1946, p. 5]. Some PAs even pressed to abolish the CPA designation altogether [Tinsley, 1962, p. 68]. The NSPA apparently made considerable headway in gaining credibility for its members in Congress. In 1957, the AIA learned, the Joint Committee on Internal Revenue Taxation inquired of the NSPA "soliciting suggestions for improvements in individual tax forms 1040 and 1040A. The AIA was not asked to assist in this study. "[The Joint Committee] apparently felt that our members would not be as well in-

formed about individual tax returns as the public accountants. Efforts have already been made to disabuse them of this idea" [G9, B5,F32, memo, "Activities of the NSPA," October 9, 1957, University of Florida Archives].

It was specifically in response to the challenge from the NSPA that the AIA finally chose to rid itself of the last vestige of the old Wall Street elite and change its name to the AICPA [AICPA, 1957, p. 1]. This had been a contentious issue in 1936, even threatening to scuttle the consolidation. As Carey remembered: "In 1936, the question of what the name of the surviving organization should be was naturally charged with emotion and loyalties…the membership defeated the proposal [to adopt the name AICPA]. There was some bitterness among those who favored it" [G9, b5, f26, January 20, 1955, University of Florida Archives]. The change was opposed because some members felt that the name AIA had aquired a prestige in business and political circles. But there was another more dubious justification that suggests the arrogance and inflexibility of the old AIA: "The American Institute of Accountants is a more euphonious term than is the American Institute of Certified Public Accountants… the proposed name is longer, will not make as neat looking a letterhead and in general it will be cumbersome" [Springer, 1936, p. 632]. Over the course of the next 20 years, remnants of the old guard as well as inertia kept the AIA from changing its name, even though "on numerous occassions, members have suggested that the change of the AIA's name would be very helpful to them in associating the title Certified Public Accountants with the Institute's many excellent publications and public relations activities. Some members have shown difficulty in understanding why the Institute should persist in its present title" [G9, b5, f26, January 20, 1955, University of Florida Archives]. But it was only in March 1954 that the *Journal of Accountancy's* subheading became: "Published monthly by the American Institute of Accountants, the national professional society of certified public accountants." Finally, in 1957, the AIA became the AICPA. Eaton considered this one of his crowning achievements as president of the Institute [G9, B15, Dcember 26, 1956, University of Florida Archives].

While initially a small-practitioner concern, the PA movement eventually redounded to the national firms as well. In the early days of the income tax in the 1910s, the legal profession spurned tax work and left the field to accountants [Carey, 1949, p. 3; Chatov, 1975, p. 42]. As the complexity and ubiquity of taxes grew, however, the ranks of tax lawyers expanded, leading

to a long-running battle with the accounting profession. The growth of the PA movement seemed to damage the prestige of CPAs, as the NSPA began lobbying Congress to allow PAs to represent their clients before the Treasury Department [G9, B5, F32, May 8, 1957, University of Florida Archives]. The AIA was deeply alarmed by this development, fearing that lawyers and legislators tended to lump all accountants together [G9, B5, F26, "Comment on Dean Griswold's Speech," 1957, University of Florida Archives; G9, B4, F23, December 12, 1955, University of Florida Archives]. These fears came to a head with the *Agran* case in 1954, which briefly threatened to restrict the right of CPAs to represent clients before the Treasury Department [Carey, 1970, p. 240].

It was the AIA's fears of the inroads made by PAs and lawyers that persuaded it to take a more active role in lobbying. It began keeping close tabs on the Washington activities of the PAs: "The National Society of Public Accountants [NSPA] has recently acquired some powerful friends in its drive to extract greater recognition from the Treasury" [G9, b5, F32, October 9, 1958, University of Florida Archives]. In 1955, the AIA began establishing stronger contacts with key congressmen and cabinet departments with the help of a public relations and lobbying firm to supplement the efforts of Covington & Burling, the law firm that had represented the AIA in Washington since the 1920s [G9, b4, F23, December 5. 1955, University of Florida Archives].

The AIA also established a Washington office for the first time since the 1930s. The ASCPA, although not the AIA, had maintained an office in Washington for years, and initially the office was to be maintained as part of the new organization. But although many thought it important to have a presence in Washington, the office was closed in 1937. The AIA determined that "adequate information and advice regarding legislation and departmental regulations, and introductions, when necessary, to Governmental officials, have always been readily obtained through counsel to the Institute, who are situated in Washington…the volume of activity does not appear to justify the cost of maintaining the office" ["Closing of Washington Office," 1937, p. 27; see also Montgomery, 1936, p. 329].

The office was reopened by the AICPA in 1959, but only with great reluctance. Carey cautioned: "The Institute cannot overlook how its actions may affect its public relations. If it behaves like a trade union, quarreling over a monopolistic privelege, it will attract little support and perhaps contempt and ridicule. This is particularly important in view of present rela-

tions with the legal profession. If on the other hand it acts like a leader, shows no desire to punish its opponents or to oppress a weaker group of people, it may get the credit for a statesmanlike approach to a problem which is of real interest to the public" [G9, b4, f23, December 1, 1955, University of Florida Archives]. Carey [1970, p. 436] would also note in his official history that the new office "gave the Institute a visibility in the nation's capital which had not existed before," although he insists "the charge to the Washington staff was not to lobby."

The AIA's response to the union corruption scandals showcased its new determination to make its presence felt in the nation's capital. In 1955, a special Senate subcommittee, known as the McClellan Committee after its chair, John McClellan, began hearings investigating corruption in trade unions. These hearings, best remembered today for the exchanges between Senate counsel Robert Kennedy and frequent witness Jimmy Hoffa, exposed intimidation, violence, and corruption in the handling of union funds. The hearings showed that a lack of proper financial controls played a role in the corruption – bookkeeping was erratic or nonexistent, union funds were embezzled by bosses, and fraudulent financial statements were presented to the rank-and-file [Doron, 2009, p. 221]. Among the proposals to clean up the unions was a requirement for annual financial-statement audits. The NSPA sent its president, Raymond Jennison, to testify before Congress on the skills that public accountants could offer, and the AICPA felt obliged to send its own representative to advocate an expansion of the audit franchise for the first time since the New Deal. Blough, as director of research for the AICPA, testified before Congress in 1957 and again in 1959, articulating the profession's reticence:

> The Institute is not a frequent witness before Congress…It has been the policy of our institute up until last year not to make this type of representation before Congress on the basis that, if we appeared on bills of this kind, it would be taken that we were self-serving in our appearance, that the purpose we had in mind was to get more work for CPAs. For that reason, we were very reluctant, for years, to make any presentations of this type. But about a year ago our executive committee reached the conclusion that this was not a sound policy, that where fiscal matters were involved on which we should have specialized knowledge, we should make ourselves available for questioning and should make representations, as I have here today, on matters in

which we feel we have particular abilities [U.S. Congress, 1959, pp. 979, 985].

While the old Wall Street elite would surely have shunned the idea of involving themselves with trade unions, by 1957, the AICPA felt it could not afford to concede any ground to the NSPA. As a result, it offered the services of CPAs to unions that often had poor financial controls, thereby risking huge new liabilities if any fraud were to occur on its watch. Perhaps at no other time in the profession's history has it made such a generous offer in the name of public service, although its motives were considerably more complex.

By 1962, the AICPA's attitude towards active lobbying had undergone a virtual transformation. At a hearing on the needs of small business, Robert Witschey, nominee for president of the AICPA, eagerly promoted the CPA as business advisor: "The traditional functions of the certified public accountant have been the independent auditing of financial statements leading to the expression of an opinion as to their fairness, and consultation on tax problems. After World War II, however, it became apparent that one of the most important needs of small-business management was assistance in areas where the training and experience of CPA's gave them special skills." Witschey further relates a study that found CPAs were the most sought-after outside consultants among small business manufacturers [U.S. Congress, 1962, pp. 113-114]. Gone are Blough's qualifiers about the AICPA not wanting to appear self-serving.

THE PROFESSION AND MANAGEMENT-ADVISORY SERVICES

The growth in the complexity of business, particularly the increasing reliance on electronic data-processing technology, helped to fuel the market for consulting services after the war. For the most part, the profession welcomed the opportunity to expand its scope of service, hoping "to improve the prestige of the CPA as an advisor to management, and to increase the reliance of the business community upon the CPA" [Frisbee, 1957, p. 29]. In no small part, the AIA's embrace of this field stemmed from its new focus on the needs of small practitioners. National firms were developing MAS departments independently of the AIA, and the concerns about maintaining independence when performing both audit and non-audit services to a client did not apply to small practitioners whose clients generally were not publicly traded corporations.

Nonetheless, concerns about the impact of MAS on firms large and small were raised even in these early years. Many feared that the CPA was extending himself into areas beyond his competence, and some echoed the cautionary from May that the "noble obligation" of the independent auditor could be jeopardized "as a result of this expanding service to management" ["A Talk With George O. May," 1956, p. 42; on competence, see "Management Services by CPAs," 1957, p. 42]. Some also noted more inter-firm competition in the rush to obtain MAS clients [Alvin Jennings memo, G9,b10, f77, December 27, 1956, University of Florida Archives].

But what drove the expansion into the MAS field were the demands of the post-war era. Eaton observed that "many clients ask for consulting help, [and] are disappointed when the CPA cannot or will not provide it" [G9, b7, f40, University of Florida Archives]. This fueled the profession's greatest fear regarding MAS; namely, that competing professions would take the work if CPAs did not move quickly to establish themselves: "We must give more attention to improving this type of service lest the day come when we find ourselves doing the hard work of digging out and analyzing complex financial facts only to find management consultants and others providing the advice, representation, and management aids based on those facts" [Witschey, G9, b3, F16, 1956, University of Florida Archives; see also "Management Services," 1946, p. 5]. Finally, CPAs' work in the MAS field touched on the campaign to end reliance on temporary workers as firms hoped to find more year-round work for staff by securing consulting engagements [Previts, 1985, p. 80].

CONCLUSIONS

Public accountancy in the U.S. modernized and professionalized in the mid-20th century as a result of several forces – government regulation, unwanted publicity from the M&R scandal, the demands of World War II, pressure from competing professions, and, not least, by the vision of several leaders who pushed and prodded U.S. accountancy to meet the demands these forces placed upon it. This evolution was not without its consequences for the profession. A new business model was created for U.S. public accountancy in the 1950s, one that aggressively and effectively wielded power in the nation's capital. The AICPA "and its generally ferocious lobbyists" became "accustomed to getting its way in Washington" [Spinner, 2002, p. E1; Stone, 2002, p. 793]. In 1973, proposals in Congress to expand auditors' indepen-

dence and to create stronger audit committees failed when the AICPA weighed in with assurances that self-regulation remained effective [Turner, 2006, p. 383]. Over the next three decades, the profession continued to fight restrictions on accounting firms' expanding scope of services, particularly MAS work, and "in 2000, the accounting industry's potent lobby trained its big guns on Securities & Exchange Commission Chairman Arthur Levitt Jr. – and blew him out of the water." When they continued this strategy after the Enron and WorldCom scandals, "the hard-line strategy backfired," and the profession was shut out of the negotiations that led to the Sarbanes-Oxley Act of 2002, which "effectively ended" the profession's self-regulation [Henry and McNamee, 2003, p. 56, Glover *et. al*., 2009, p. 222]. As George May had warned, the AICPA had become an advocate for its members rather than an arbiter of accounting practice.

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